

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 CIEP-01 FAA-00 XMB-02 SS-15

NSC-05 /050 W

----- 006036

R 290941Z OCT 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9228

INFO AMEMBASSY ROME

AMCONSUL CALCUTTA

AMCONSUL BOMBAY

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 15798

ROME FOR RCAA DWOR

EXIMBANK FOR EXECUTIVE VICE PRESIDENT BEIM

E.O. 11652: GDS

TAGS: EAIR, BEXP, ETRD, IN

SUBJECT: INDIAN AIRLINES PROCUREMENT DECISION: STILL WAITING

REF: (A) NEW DELHI 12131, (B) NEW DELHI 12207

1. BOEING REGIONAL REPRESENTATIVE MIKE FITZGERALD TOLD EMBOFF OCTOBER 29 THAT INDIAN AIRLINES (IA) MAY MAKE DECISION BY NEXT WEEK ON BOEING/FOKKER/BAC PROCUREMENT MATTER. HOWEVER, IF DECISION IS NOT MADE WITHIN A WEEK, HE BELIEVED THAT MATTER COULD VERY WELL BE POSTPONED UNTIL THE END OF 1976 BECAUSE OF IA PREOCCUPATION WITH ARRIVAL AND INTRODUCTION OF AIRBUSES INTO ITS FLEET. FURTHER, ANY IA DECISION WOULD HAVE TO BE REFERRED TO GOI MINISTRIES FOR FINAL ACTION.

2. FITZGERALD THOUGHT THERE WAS VERY GOOD CHANCE IA WOULD DECIDE IN FAVOR OF BOEING 737 ON TECHNICAL GROUNDS,
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BUT WAS STILL VERY CONCERNED ABOUT EXIMBANK FINANCING.

HE SAID EXIM WAS STILL NOT COMPETITIVE AND THAT ITS FINANCIAL OFFER WOULD BECOME WORSE IF ITS PRECOMMITMENT RAN OUT IN THE NEXT FEW DAYS. FITZGERALD SAID THAT IA FINANCIAL DIRECTOR CHAND HAD TOLD HIM THAT EXIM WOULD HAVE TO COME DOWN TO 8.5 PERCENT MAXIMUM IN ORDER TO STAY IN THE RUNNING.

3. IN ANOTHR DEVELOPMENT, FITZGERALD SAID THAT RECENT NEWSPAPER STORIES THAT IA WILL LEASE TWO BOEING 737S TO MEET ITS IMMEDIATE CAPACITY PROBLEM WERE NOT TRUE. HE NOTED THAT IA WAS STILL LOOKING INTO THIS MATTER AND HAD NOT YET MADE A DECISION.

4. COMMENT: FITZGERALD NOW APPEARS PESSIMISTIC ABOUT BOEING'S EVENTUAL CHANCES. HIS MAIN CONCERN IS FINANCING, AND HE CONTINUES INSIST EXIM RATE OF 9 PERCENT HIGHER THAN EITHER FOKKER (8.5) OR BAC (8.0). WHILE EMBASSY HAS NO ADDITIONAL INFO ON FINANCING OFFERS OF COMPETITORS, LONG DELAY IN DECISION PROCESS COULD WORK AGAINST BOEING. IN ADDITION, IF IA SHOULD DECIDE LEASE 737S TO RELIEVE CURRENT PROBLEMS, THIS MIGHT PROVIDE EXCUSE FOR EVEN FURTHER DELAY IN PROCUREMENT DECISION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, JET AIRCRAFT, AIRCRAFT SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE15798
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760404-1107
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976105/aaaaadiq.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 NEW DELHI 12131, 76 NEW DELHI 12207
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 11 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 MAY 2004 by BoyleJA>; APPROVED <25 AUG 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN AIRLINES PROCUREMENT DECISION: STILL WAITING
TAGS: EAIR, ETRD, BEXP, IN, BOEING, INDIAN AIRLINES
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006